

Message Text

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73

ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

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OES-03 SP-02 SS-15 STR-01 FRB-01 SWF-01 AGR-05 TRSY-02

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R 111537Z DEC 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 6903

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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EO 11652: NA

TAGS: EFIN ENRG ETRD VE

SUBJECT: NEW DIMENSIONS FOR THE VENEZUELAN INVESTMENT FUND
FORESEEN

REF: (A) MANAGUA 4739; (B) TEGUCIGALPA 5251; (C) TEGUCIGALPA 5262

1. PRESS INTERVIEW WITH ACTING PRESIDENT OF VENEZUELAN INVESTMENT
FUND CESAR MANDUCA INDICATES MEETING OF CENTRAL AMERICAN PRESIDENTS
IN VENEZUELA DECEMBER 13 AND 14 WILL RESULT IN THREE IMPORTANT
FINANCIAL AGREEMENTS AFFECTING CENTRAL AMERICA.

A. VENEZUELAN CONTRIBUTION OF \$80 MILLION TO COFFEE RETENTION
FUND FOR THE PURPOSE OF SUPPORTING PRICE OF CENTRAL AMERICAN
COFFEE.

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B. ESTABLISHMENT OF SYSTEM WHEREBY CENTRAL AMERICAN COUNTRIES WOULD PAY FOR PETROLEUM IMPORTS FROM VENEZUELA IN PART BY EXPORTS OF AGRICULTURAL PRODUCTS SUCH AS MEAT AND SOYA, AND PART BY MAKING LOCAL CURRENCY CONTRIBUTION TO FUND DESIGNED FOR DEVELOPMENT PROJECTS WITHIN CENTRAL AMERICA. MANDUCA'S REPORT TENDS TO CONFIRM UNDERSTANDING OF VENEZUELA'S INTENTIONS IN THIS REGARD REPORTED IN REFTELS FROM MANAGUA AND TEGUCIGALPA.

C. AGREEMENT TO LOAN IDB \$500 MILLION AND AN UNSPECIFIED AMOUNT TO CABEL.

2. MANDUCA'S COMMENTS REGARDING VENEZUELAN INVESTMENT FUND INDICATES FUND SERVING SEVERAL VENEZUELAN OBJECTIVES:

A. AVOIDING EXCESSIVE INFLATIONARY PRESSURES RESULTING FROM EXTRAORDINARY INCREASES OF OIL REVENUE;

B. PROVIDING FUTURE RESOURCES FOR VENEZUELAN DEVELOPMENT THROUGH INVESTMENTS ABROAD IN VARIOUS PUBLIC AND PRIVATE DEBT INVESTMENTS;

C. SERVING VENEZUELA'S POLITICAL OBJECTIVES IN ITS NEW LEADERSHIP ROLE WITH THE LESS DEVELOPED COUNTRIES OF LATIN AMERICA (PARTICULARLY THOSE OF CENTRAL AMERICA); AND

D. NEUTRALIZING CRITICISM FROM THE OIL IMPORTING COUNTRIES OF LATIN AMERICA MOST AFFECTED BY THE INCREASE IN OIL PRICES.

3. IT IS CLEAR THAT, AT LEAST IN THE CASE OF THE LATTER TWO OBJECTIVES, VENEZUELAN INVESTMENT FUND HAS BECOME A TOOL OF THE GOVERNMENT'S POLITICAL POLICY, A FACT WHICH IN THE LONG RUN COULD UNDERMINE ITS ECONOMIC VIABILITY, ESPECIALLY IF PETROLEUM PRICES DO NOT CONTINUE AT THEIR PRESENT HIGH LEVEL. GIVEN THE CURRENT IMMEDIATE PROSPECTS FOR MORE REVENUE THAN THE GOVERNMENT KNOWS WHAT TO DO WITH, COMMITMENTS MAY BE FORCED ON THE INVESTMENT FUND WHICH IT MAY NOT BE ABLE TO FULFILL IN THE LONG RUN.

4. IN ATTEMPTING TO DEFEND THE INTERNATIONAL OBLIGATION ASPECT OF THE INVESTMENT FUND, MANDUCA EMPHASIZED THAT VENEZUELA COULD NOT AFFORD TO CONCENTRATE SOLELY ON THE INTERNAL BENEFITS OF VENEZUELA'S LIMITED OFFICIAL USE

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NEW-FOUND WEALTH, BUT IT MUST ALSO REMEMBER THAT IT IS NECESSARY TO CONSIDER THE ABILITY OF OTHER COUNTRIES TO EXPORT TO VENEZUELA IN ORDER THAT VENEZUELA CAN OBTAIN REAL GOODS OR FOREIGN EXCHANGE FOR ITS PETROLEUM.
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